



Billing Code: 5001-06

DEPARTMENT OF DEFENSE

Office of the Secretary

(Transmittal No. 15-82)

36(b)(1) Arms Sales Notification

AGENCY: Department of Defense, Defense Security Cooperation Agency.

ACTION: Notice.

SUMMARY: The Department of Defense is publishing the unclassified text of a section 36(b)(1) arms sales notification. This is published to fulfill the requirements of section 155 of Public Law 104-164 dated July 21, 1996.

FOR FURTHER INFORMATION CONTACT: Sarah A. Ragan or Heather N. Harwell, DSCA/LMO, (703) 604-1546/ (703) 607-5339.

The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 15-82 with attached Policy Justification and Sensitivity of Technology.

Dated: March 1, 2016.

Aaron Siegel,
Alternate OSD Federal Register Liaison Officer,
Department of Defense.



DEFENSE SECURITY COOPERATION AGENCY
201 12TH STREET SOUTH, STE 203
ARLINGTON, VA 22202-5406

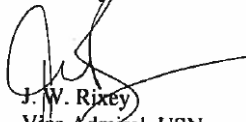
The Honorable Paul D. Ryan
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

FEB 10 2016

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act, as amended, we are forwarding herewith Transmittal No. 15-82, concerning the Department of the Navy's proposed Letter(s) of Offer and Acceptance to the Kingdom of Saudi Arabia for defense articles and services estimated to cost \$154.9 million. After this letter is delivered to your office, we plan to issue a news release to notify the public of this proposed sale.

Sincerely,



J. W. Rixey
Vice Admiral, USN
Director

Enclosures:

1. Transmittal
2. Policy Justification
3. Sensitivity of Technology
4. Regional Balance (Classified Document Provided Under Separate Cover)



Transmittal No. 15-82

Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act, as amended

(i) Prospective Purchaser: Kingdom of Saudi Arabia

(ii) Total Estimated Value: Major Defense

Equipment*	\$ 72.5 million
Other	<u>\$ 82.4 million</u>
TOTAL	\$ 154.9 million

(iii) Description and Quantity or Quantities of Articles or Services under Consideration for Purchase:

Major Defense Equipment (MDE):

Five (5) MK 15 Phalanx Close-In Weapons System (CIWS) Block 0 to Block 1B Baseline 2 upgrade kits

Also included are the following non-MDE items: five (5) local control stations, spare and repair parts, upgrade and conversion of the kits, support and test equipment, personnel training and training equipment, publications, software and technical documentation, U.S. Government and contractor engineering, technical and logistics support services, and other related elements of program and logistics support. The estimated cost is \$154.9 million.

(iv) Military Department: Navy (SR-P-LCR)

(v) Prior Related Cases, if any: FMS Case: SR-P-SAT, 24 Mar 74, \$147.8 million

(vi) Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: None

(vii) Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold: See Attached Annex

(viii) Date Report Delivered to Congress: 10 February 2016

* as defined in Section 47(6) of the Arms Export Control Act.

POLICY JUSTIFICATION

Kingdom of Saudi Arabia-MK 15 Phalanx Close-In Weapons System (CIWS) Block 1B Baseline 2 Kits

The Kingdom of Saudi Arabia has requested a sale for the upgrade and conversion of five (5) MK 15 Phalanx Close-In Weapons System (CIWS) Block 0 systems to the Block 1B Baseline 2 configuration. The Block 0 systems are currently installed on four (4) Royal Saudi Naval Forces (RSNF) Patrol Chaser Missile (PCG) Ships (U.S. origin) in their Eastern Fleet and one (1) system is located at its Naval Forces School. Also included are; five (5) local control stations, spare and repair parts, support and test equipment, personnel training and training equipment, publications, software, and technical documentation, U.S. Government and contractor engineering, technical and logistics support services, and other related elements of program and logistics support. The total estimated value of MDE is \$72.5 million. The overall total estimated value is \$154.9 million.

This proposed sale will contribute to the foreign policy and national security of the United States by helping to improve the security of a strategic regional partner, which has been, and continues to be, an important force for political stability and economic progress in the Middle East. This acquisition will enhance regional stability and maritime security and support strategic objectives of the United States.

The proposed sale will provide Saudi Arabia with self-defense capabilities for surface combatants supporting both national and multi-national naval operations. The sale will extend the life of existing PCG Class ships. Saudi Arabia will use the enhanced capability as a deterrent to regional threats and to strengthen its homeland defense. Saudi Arabia will have no difficulty absorbing this equipment into its armed forces.

The proposed sale of this equipment, services, and support will not alter the basic military balance in the region.

The prime contractor will be Raytheon Missiles Systems of Tucson, Arizona. There are no known offset agreements proposed in connection with this potential sale.

Implementation of this proposed sale will not require the assignment of any additional U.S. Government or contractor representatives to Saudi Arabia; however, contractor engineering and technical services may be required on an interim basis for installations and integration.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

Transmittal No. 15-82

Notice of Proposed Issuance of Letter of Offer
Pursuant to Section 36(b)(1)
of the Arms Export Control Act, as amended

Annex Item No. vii

(vii) Sensitivity of Technology

1. The MK 15 CIWS Phalanx Block 1B is a fast reaction detect-through-engage combat system that provides terminal defense against low-flying, high speed, anti-ship missiles; slow speed general purpose aircraft, helicopters, and small surface craft; and rockets, artillery, and mortars. The system is an automatic, self-contained unit consisting of a search and track radar, digitalized fire control system, and electro-optical thermal imager, and a stabilization system, as well as a 20mm M61A1 gun subsystem. CIWS Block 0 provides terminal defense capability but is no longer in the U.S. Navy inventory decreasing its sustainability. By comparison, the CIWS Block 1B upgrade included in this sale would add surface mode and enhanced anti-air warfare capabilities.

a. There is no Critical Program Information associated with the MK 15 CIWS Phalanx hardware, technical documentation, or software. The highest classification of the hardware to be exported is UNCLASSIFIED. The highest classification of the technical documentation to be exported is CONFIDENTIAL. The highest classification of software to be exported is UNCLASSIFIED.

2. If a technologically advanced adversary were to obtain knowledge of the specific hardware and software elements, the information could be used to develop countermeasures which might reduce weapon system effectiveness or be used in the development of a system with similar or advanced capabilities.

3. A determination has been made that the recipient country can provide substantially the same degree of protection for the sensitive technology being released as the U.S. Government. This sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the Policy Justification.

4. All defense articles and services listed in this transmittal have been authorized for release and export to Saudi Arabia.

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